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## Special 2011-12 Budget Meeting Recap

April 8, 2011

### In Board Watch Blog

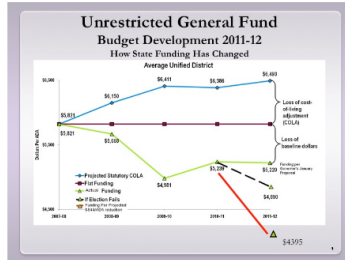
On Wednesday evening, OUSD's Board of Education convened for a 2011-2012 budget study session. District leadership shared a **Special Presentation to the Board**, along with corresponding documents: **2011-12 Budget Development: Unrestricted General Fund Assumptions**, and **Summary of Consultants**.

[Click here](#) to watch a video of the meeting.

The special budget study session began with some reminders regarding the severity of the crisis facing OUSD today.

### A Snapshot

Vernon Hal, the District's CFO, shared that OUSD had been preparing for a \$349 per pupil funding cut (\$12.5 M reduction overall), but that with the breakdown of budget talks in Sacramento, is now preparing for \$844 per pupil cuts (\$30.5 M reduction overall).



### It Could Get Worse

Hal stressed that the \$844 per pupil cut assumes that (1) the proposed tax extension does not pass in November, and (2) education does not receive additional cuts in the state budget process. Almost 90% of the OUSD budget comes from the state and we do not know how much we will be receiving.

### The Board's Priorities

For the purposes of Wednesday's study session, the question of how to cut the budget focused around the Board's three priorities: (1) Increase Teacher Retention, (2) Eliminate the Structural Deficit, and (3) Increase Employee Compensation.

### Options

According to Hal, there are four strategies to manage the projected cuts:

1. Increase the General Fund ("Revenue Enhancement")
2. Spend Less ("Expense Decreases")
3. Use the OUSD Fund Balance (Money the district has for unanticipated expenses, etc.)
4. Decrease "Proposed Expense Increases"

Revenue Reductions	Amount	Impact
1. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
2. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
3. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
4. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
5. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
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7. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
8. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
9. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
10. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
11. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
12. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
13. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
14. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
15. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
16. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
17. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
18. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
19. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
20. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
21. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
22. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
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74. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
75. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
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84. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
85. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
86. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
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90. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
91. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
92. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
93. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
94. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
95. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
96. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
97. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
98. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
99. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)
100. Reduction in State Revenue (Proposed)	(\$30,500,000)	(\$30,500,000)

**1. Increase the General Fund.** (The General Fund is the budget category that is used to fund School Sites and the Central Office.)

- ◆ **Flex Adult Education (\$6.2M):** This option would cut \$6.2M of Adult Education funding and add it to the General Fund so it can be used by K-12 school sites.
- ◆ **Flex Adult Education's Unallocated Budget (\$2.5M):** This option would cut Adult Education's \$2.5M Unallocated Fund Balance and add it to the General Fund so it can be used by K-12 students.
- ◆ **Use the State Loan (\$2.1):** This option would use \$2.1M that OUSD has remaining from its \$100M loan from the state and put it into the General Fund so it can be used by K-12 students.

**2. Spend less.**

- ◆ **Cut to School Sites (\$14.6M):** This option would reduce OUSD's expenses by keeping the \$14.6M cut to school site budgets under Results Based Budgeting. This is the cut that was made when the district asked schools to prepare a budget based on a \$349 per pupil funding cut.
- ◆ **Cut Early Retirement Fund (\$2M):** This option would reduce OUSD's expenses by not spending \$2M of the \$6.4M Early Retirement Fund this year.
- ◆ **Music Teachers (\$320,000):** This option would reduce expenses by eliminating 4 of the 20 centrally-funded music teachers. Centrally funded means that these teachers are paid by the central office rather than the school site.
- ◆ **Maximize Elementary Class Sizes (\$6.6M):** This option would reduce OUSD's expenses by maximizing elementary school class-sizes to contract maximums. This would mean approximately 90 fewer full time teachers at school sites.

**3. Use the Fund Balance.**

- ◆ **Fund Balance (Up to \$19M):** This option would allow OUSD to use some of the 19M "Fund Balance" to pay for expenses at the school sites and Central Office. A "Fund Balance" is money that OUSD has, but has not spent (for a variety of reasons, such as to pay audit fines, in case of economic uncertainty, etc.).

**4. Decrease Proposed "Expense Increases."** (These are expenses that OUSD planned to increase, but Hal is suggesting we could choose not to go forward with the increase.)

- ◆ **Salary Increase (\$2M):** OUSD had proposed to give its staff a 2% salary increase. Choosing not to give this raise would save OUSD \$2M.
- ◆ **Flex Adult Ed. Funds (\$3M):** OUSD had planned to use \$3M in Adult Education Funds to pay for Secondary Counseling, Literacy, and A-G offerings. Not offering these services would save OUSD \$3M.

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### Upcoming Events

**4/12/2011**

**GO2 Orientation**

5:00 PM - 6:30 PM - TBA [More >](#)

**4/13/2011**

**OUSD Board Meeting**

5:00 PM - 8:00 PM - 1025 Second Avenue, Oakland, CA [More >](#)

**4/18/2011**

**Spring Recess**

12:00 AM - 11:59 PM - Oakland [More >](#)

[More Events >](#)

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The Latest from GO on YouTube



**1.26.11 David Silver, Jonathan Klein, and Betty Olson-Jones Comment on Budget**



**AIPCS Charter School Renewal Petition - Public Hearing**



**1.12.11 Information on OUSD's Strategic Plan Community Engagement Opportunities**

Check out highlights from our meetings, school board meetings and more. [More on YouTube >](#)

- Summer School Funding (\$243,000): OUSD had budgeted \$243,000 for non-salary expenses related to summer school. Cutting these expenses would save \$543,000.

Options to Address the Deficit based on \$844/ADA Est. Loss	Start Year of	Amount of	Other
	Options 1	Options 2	Options 3
<b>Proposed Budget Reductions</b>			
1. Red of Adult Education Services	27	1,000,000	1,000,000
2. Red of Adult Education Services	27	1,000,000	1,000,000
3. Red of Adult Education Services	27	1,000,000	1,000,000
<b>Proposed Budget Increases</b>			
4. Increase in the Early Retirement Fund	27	1,000,000	1,000,000
5. Increase in the Early Retirement Fund	27	1,000,000	1,000,000
6. Increase in the Early Retirement Fund	27	1,000,000	1,000,000
<b>Net Effect</b>			
7. Net Effect of Proposed Budget Changes	27	1,000,000	1,000,000
8. Net Effect of Proposed Budget Changes	27	1,000,000	1,000,000
9. Net Effect of Proposed Budget Changes	27	1,000,000	1,000,000
<b>Final Budget</b>			
10. Final Budget of Proposed Budget Changes	27	1,000,000	1,000,000
11. Final Budget of Proposed Budget Changes	27	1,000,000	1,000,000
12. Final Budget of Proposed Budget Changes	27	1,000,000	1,000,000
<b>Summary</b>			
13. Summary of Proposed Budget Changes	27	1,000,000	1,000,000
14. Summary of Proposed Budget Changes	27	1,000,000	1,000,000
15. Summary of Proposed Budget Changes	27	1,000,000	1,000,000

Hal recommends that OUSD does the following:

- 1. Increase the General Fund**
  - Flex all Adult Education Funds except for \$1M
  - Flex Adult Education's Unallocated \$2.5M
  - Use \$2.1M of the State Loan
- 2. Spend Less**
  - Reduce School Site budgets by \$349 per pupil.
  - Keep the Early Retirement Fund fully funded
  - Do not eliminate the 4 centrally funded music teachers
  - Do not maximize elementary schools to class-size maximums
- 3. Fund Balance**
  - Use \$8.5M of OUSD's Fund Balance. This leaves \$10.5M in the fund.
- 4. Reduce Proposed Increases**
  - Do not give employees a 2% raise
  - Do not cut the funding increase for Secondary Counseling, A-G, etc.
  - Do not cut the budget for Summer School

After the presentation, the Board engaged with Hal on several points.

- The current \$349 cuts to school sites:** Hal said that the district would not re-open the RBB process to reduce the cuts to school sites.
- Furlough Days:** Staff presented information that district-wide furlough days would result in savings of \$1.3M per day, but noted that this would have to be negotiated with unions. Instructional days would be preserved as much as possible, with furloughs proposed for non-instructional days. Director Dobbins asked what other districts are doing regarding furlough days. Hal replied that some were using up to 10 days.
- Classified Staff (non-teachers):** Alice Spearman asked about classified staff, expressing concern that adequate levels of services would not be provided to students at school sites if schools cut classified staff to save teacher jobs. Hal replied that some classified services, such as custodians, were centrally funded, and that the district worked with school sites to make sure minimum standards were followed. School sites do, however, have flexibility around how they spend their money on classified staff.
- Adult Education:** Jody London asked what would be left of Adult Education if we flexed all but \$1M of the funding, and wondered what other districts are doing regarding Adult Ed. funding. Maria Santos replied that most services would be gone, except for a few such as basic GED, and that many districts have cut it entirely.
- A-G Requirements:** Spearman asked whether it is possible that OUSD would relax or suspend the **A-G graduation requirement**. Hal said 'no.'
- Strategic Plan:** Gary Yee asked how the budget impacted the district's strategic plan. Maria Santos replied that the resources necessary to implement the strategic plan had been protected.
- Facilities:** Jumoke Hinton-Hodge asked if the district was going to "flex" any of the money used for facilities upkeep. Hal said 'no' because the district needs to take care of its buildings.

#### Regarding Teachers:

Barbara Gee, Director of Human Resources, acknowledged the great concern and anxiety in the district over the number of teacher layoff notices issued. She presented information about a group of schools with over 25% turnover rate. Regarding the teacher layoffs, Gee shared with while there is still uncertainty, if the district uses its' one-time monies (flexing adult education, for example), it should be able to hold steady and reduce the number of layoffs significantly. There would still be layoffs.

Problem		Solution		People		Costs	
A	B	C	D	E	F	G	H
Site Type	Sum of B-E	Sum of F-H	Difference	Net Cost Non-Mgt Temp	Non-Reduction People	Sum of Depreciating People	Difference
Elementary	392.43	320.60	(72.83)	66	39	133	49.87
Middle	112.25	109.46	(2.79)	16	26	6	17.66
High	451.08	444.46	(6.62)	27	16	2	47
<b>Grand Total</b>	<b>955.76</b>	<b>874.52</b>	<b>(81.24)</b>	<b>109</b>	<b>81</b>	<b>141</b>	<b>114.59</b>

According to Gee, when school sites designed their budgets, it resulted in approximately 137 consolidated positions. Note: a consolidated position occurs when a teacher's position is cut due to budget or program cuts. Over the past few weeks, the HR Department has collected information about the number of teachers who are: (1) retiring, (2) not being asked to return, and (3) temporary teachers. They discovered that there are at total of 233 teachers who are not, at present, returning to the district.

Jody London asked about the timeline for rescinding layoff notices. Jacqueline Minor, OUSD's attorney, said they were waiting for a hearing to happen on April 15. Superintendent Smith indicated that they would move as quickly as possible.

#### Our Questions:

1. **Central Office Cuts:** Why were no Central Office budget cuts presented among the possible choices?

There are currently \$33.7M of unrestricted funds for the Central Office. The only option presented that dealt with the Central Office budget was to cut centrally funded teachers. At previous meetings, district staff had indicated that they were looking at a 2-3% cut centrally.

We did notice, on slides 41-42 of Hal's presentation, that the total unrestricted funds for central offices had been reduced from \$40.6M to \$33.7M - a reduction of \$6.9M. Does this indicate that there is a reduction in funding overall for central office, or have restricted funds been increased, hereby making up the difference?

Has the district, as the sites have done, closely evaluated each program to ensure it is core and adding value to students? GO respects and recognizes the importance of the Central Office and understands that it needs to be resourced to enable the district to function and advance the strategic plan. However, each department's budget needs to be closely examined to ensure that it is providing an indispensable service.

2. **Diminished School Site Cuts:** Given the range of options for cutting the

*budget, why isn't reducing the current level of cuts at the school sites among the options presented?*

For example, if the District flexed \$3M of the Adult Ed. funds into the General Fund (against Hal's recommendation), school site cuts could be reduced from approximately \$14M to \$11M, thus sparing teacher positions and support staff.

*3. Last year, the district hired both permanent and temporary teachers with similar credentials. What is the plan to help temporary teachers return to their school sites?*

*4. How will OUSD work to address the long-term structural deficit prior to another year of budget cuts? Note: structural deficit refers to when, over time, the district spends more than it brings in. We can eliminate pain this year, but what happens next year?*

*5. How is information about the budget and staff layoffs being communicated district-wide to ensure that those who received layoff notices know that they are valued and that the district is doing everything it can to retain them?*

#### Resources

- ◆ [How the State Budget Impacts Education Funding](#)
- ◆ [FAQs about Education Funding in California](#)
- ◆ [California School Boards Association State Budget Alert](#)
- ◆ [OUSD Budget Crisis Information](#)

Please note: The above information reflects our best understanding of what was presented on Wednesday evening. We have tried to characterize the main points from the conversation, and provide links to relevant resources. If you have comments, questions, or further ideas, please share them here.

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